

PUBLIC ENTERPRISE IN TWO DOMINIONS  
(CANADA AND AUSTRALIA)

By  
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## PUBLIC ENTERPRISE IN TWO DOMINIONS

### (I) CANADA\*

To an Indian audience of specialists in public administration the relevance of Canadian and Australian experience with public enterprise is limited by the great dissimilarities between these two countries and your own. The two countries I know best have small populations, high levels of per capita income and advanced industrial development. Within a century their people have conquered wildernesses and pushed back frontiers, and their public enterprises have mainly been formed to help build nations, settle new land, harness resources, create industries, transport products to world markets, and serve communities which now demand and can afford high standards of urban comfort. India may have these problems and these opportunities in some areas, but in India the main purpose of public enterprises appears to be to help old, established, traditional, but materially poor societies to transform themselves. For the public as well as the private sector the main obstacles to development are not so much physical as social, and in the realm of attitudes. For this reason you will perhaps want answers to different questions than those which naturally come to my mind when I think about public enterprises in the Canadian and Australian contexts.

In Canada and Australia, social organization and attitudes have changed little in the century of our emergence into modern industrialism, compared with the extent of social change India's leaders are attempting to bring about in this country. True, we who live in Canada or Australia are conscious all the time of the changes going on within our societies, and sometimes they seem enormous to us. But the change to which India aspires has to be measured on a vaster scale. Canada and Australia began their century of development with widely shared attitudes or public sentiments which were enormously favourable to change and growth. These were, and still are, communities of migrants or the fairly recent descendants of migrants, who came to new

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countries to better their lot, leaving behind the restraining customs of their homelands.

The founders of large Canadian and Australian public enterprises were men of their times, and like their contemporaries, the founders of great private enterprises, they had an aggressive, progressive, dynamic attitude toward change. The community generally approved, and their successors in our generation still largely approve, of these values. It can be urged that India's government is dedicated to a socialist pattern of society, whereas the recent national, and several of the State, governments of Australia, and all the Canadian governments except one, declare themselves partisans of private enterprise. This socialist aspiration might be thought to provide public enterprises in India with a favourable climate for growth. But that, I submit, is less important than the fact that, in Australia and Canada, enterprise and initiative have long been qualities valued for themselves, often without regard to what is being undertaken or initiated, or by whom. Change is generally assumed to be likely to lead to good. It has been well said that there are no genuine conservatives in the new world, only liberals and rationalists, to use two of Professor Oakeshott's favourite terms of abuse. For my part, I consider Australia and Canada to be, on the whole, fortunate rather than unfortunate to be limited in this way.

This preamble explains in part what will emerge in these two lectures, namely that the structure of public enterprises and their policies, and the devices for controlling them, in Canada and Australia, have to meet one main test, a pragmatic one: how quickly will they bring about economic progress. They do not usually have to meet another sort of test, whether they offend tradition, jostle customs or hurt sensibilities. Even the argument that the public corporation is a constitutional freak, an excrescence on the institutions of Cabinet responsibility and Parliamentary democracy, causes little distress to Canadian or Australian opinion. In India, your public enterprises, their policies and structures, may be subjected not only to test of constitutional propriety and business efficiency but also, as I gather from a brief look at your writings on the subject, to another whole range of tests, such as whether they are of a socialist character, or whether they conform to Gandhian principles, or to traditional, communal or religious values.

The problems of management, accountability and public acceptance of public enterprises operating in a society of so many levels and varieties of outlook must be infinitely complex. I look forward to new insights from Indian students of these matters, insights which will raise new issues in studying one's own familiar environment at home. You have in common with us a parliamentary Cabinet system of government, a federal system and a mixed economy: these similarities give comparisons a broad base on which to rest; but, within these similarities, there are differences which we should look for.

In Canada both the national and provincial (or, as you would say, State) governments have established major public enterprises. Provincial business undertakings include electric power generation and distribution in 8 of the 10 provinces, intra-provincial railways in 3, retail liquor sales in 9, bus service in 2, telephone services in 3, insurance for compensation in industrial accidents (all provinces), and, as well, a long list of business enterprises of less importance, some of them occurring in only one or two provinces. The Province of Saskatchewan has a wider variety of public enterprises than the others, because it alone has had a socialist-inclined government. Its enterprises include, for example, a provincial airline, an automobile insurance enterprise, a timber marketing authority and a fur marketing authority.<sup>1</sup>

Since the range of provincial public enterprises is broad, it will be best to select only two major categories for discussion. The one of greatest importance and interest, both in Canada and here in India, is, without a doubt, electric power. I shall further confine the discussion of electricity undertakings to three provinces only, namely, Ontario, British Columbia, and Quebec. The second category of provincial enterprises which I shall discuss very briefly is the retail sale of liquor by provincial liquor commissions. I shall leave entirely out of account, in this lecture, the municipal public enterprises such as urban transport, etc., which come indirectly under the authority of the provincial governments.

In the second part of this lecture I shall turn to some aspects

1. A. E. Blakeny, "Saskatchewan Crown Corporations," in W. Friedmann, ed., *The Public Corporation: A Comparative Symposium*, Toronto, Carswell, 1954, pp. 93-107.

of public enterprise at the national level. Here the available range of examples include atomic energy research and production of isotopes; an airline; a railway system; radio and television broadcasting; a housing and mortgage loan company; a synthetic rubber industry; a central bank; export credit insurance; an industrial development bank; a national harbours board; a wheat marketing board; the St. Lawrence Seaway Authority; and so on and so forth. For the sake of illustrating a thesis about dual public and private industries under government regulation, I propose to select from this range only the railways, broadcasting, and the airline. Canada's experience with dual, public-private industries under government regulation might interest you in India; and an analysis of it may be helpful as a model for the study of areas of industrial activity in your country.

## I

In Canada, the first large public enterprise in corporate form was the Ontario Hydro-electric Power Commission, created in 1906. Though a public corporation for legal and practical purposes, this body has an unusual structure in that at least one, and (if the Provincial Cabinet so decides) at most two, of the three Commissioners are members of the Provincial Cabinet. In spite of this feature, the Ontario Hydro-electric Power Commission functions much like an ordinary public corporation, with little, if any, more influence or control by Cabinet, Finance Department or Provincial Legislature than is brought to bear on public corporations of the ordinary sort.

The Commission's creator and first chairman was Sir Adam Beck, who combined vigorous activity in that office with a powerful role in the Provincial Cabinet.<sup>2</sup> Close association, in structure and in operating policy, between the Commission and the executive branch of the provincial government at this early stage arose naturally out of the fact that rural electrification was at the very centre of the government's policy, and the party in power would stand or fall according to its success in accomplishing this objective. The party in power was the Conservative

2. See Alexander Brady, "The Ontario Hydro-Electric Power Commission," *Canadian Journal of Economics and Political Science*, Vol. 2, 1936, pp. 331-353.

Party, but nominal conservatism did not mean, and still does not mean in Canada, dissent from the community's will for development, by means of public enterprise if necessary. Hydro-electric power development in Ontario required the harnessing of the Niagara River, an undertaking far too large for any conceivable private organization in the Province.

The Ontario Hydro-electric Power Commission has become an established institution with a life and mind of its own. During the 1920's, when the government of the Province was in the hands of the United Farmers' Party, and during the 1930's, when the Liberals came to power, the Commission gradually established its independence. There were occasional interferences and tests of strength which the party in power usually won, but the Commission's authority grew as its clientele expanded and its technical competence gained recognition. Furthermore, it developed a skilled managerial cadre of its own, and its subordinate personnel, numbering more than the employees of all other provincial government agencies combined, were a not inconsiderable political force in some constituencies. It became a rule of political wisdom to "leave Hydro alone". In the 1940's, 1950's and 1960's the Conservative Party has again been in power in Ontario, without interruption. It has not wished to fight any head-on battles with the Commission. Though the latter is a public enterprise, it is accepted by the leaders of the private business sector as an essential substructure for general industrial expansion under the auspices of private enterprise. Electric power rates are relatively low in Ontario, a factor which is reflected in the relatively low cost-structure of Ontario industries compared with those in other provinces. Ontario has become the industrial heartland of Canada. By the mid-1950's, capital invested in the undertakings of the Ontario Hydro-electric Power Commission amounted to more than 1 billion dollars, and its generating capacity exceeded 6 million horsepower. Almost three-quarters of this power came from water-power sources, the remainder from coal.<sup>3</sup>

British Columbia presents a different picture. Here the principal cities were served until 1961 by the privately-owned British Columbia Electric Company. In 1945 a Liberal Party

3. Irene M. Spry, "Power Commissions," *Encyclopaedia Canadiana*, Ottawa, Grolier Society, 1960, Vol. 8, pp. 288-292.

government created the British Columbia Power Commission, a public corporation. Its job was to extend power to rural areas and small outlying centres of industry. It remained a relatively small concern, both under the Liberal-Conservative coalition which governed from 1946 to 1952, and under the Social Credit Party which came to power in 1952 and still forms the government of that Province today.

Though it was small, the publicly-owned B.C. Power Commission won enthusiastic support in the communities it served. Meanwhile, the privately-owned B.C. Electric Company met an ever-expanding demand for power in the lower mainland and Victoria areas, where the main industrial concentration lies. Because it sold power at rates higher than in the eastern Canadian Provinces, the privately-owned power company came under increasingly heavy attack both from the opposition parties and from the business community. The Social Credit government, under pressure to expand British Columbia's power output, began promising grandiose schemes of development on the Columbia River and the Peace River, but both these schemes, though they will eventually materialize, have been delayed.

The Social Credit Party professes almost fanatical opposition to socialism and devotion to private enterprise. Its main opponent in British Columbia has been the C.C.F. (Socialist) Party and its successor since 1960, the New Democratic Party. This moderately leftist opposition advocated the expropriation of the private B.C. Electric Company and its integration with the public B. C. Power Commission. The socialists used as one of their arguments the fact that provincially-owned electric utilities are immune from the federal government's income tax, whereas the privately-owned power company paid this tax and therefore had to earn a very high gross return on its capital in order to pay its shareholders a competitive dividend. These being the policies of the respective parties, with Social Credit in power and the leftists in opposition, what could be more astounding than what happened in 1961? With hardly a hint of warning, the Social Credit government decided to "nationalize" the B.C. Electric Company, which it did by legislation rushed through the Legislative Assembly and without fully satisfying the claims of shareholders for compensation. Law suits concerning this matter



are still being adjudicated.<sup>4</sup>

The politics of this move reveal the role of public enterprise in Canada. Here was a free-enterprise government stealing the policy of its socialist opponents, partly perhaps to steal their potential following, but mainly because the overriding aim of any governing party in Canada, more important than its ideology, is economic development. The B. C. Electric Company, now "socialized", has been amalgamated with the B. C. Power Commission. With the Provincial Government's credit behind it, it is in a strong position to raise capital and accomplish the next stages in developing British Columbia's huge electric power potential. This was pragmatism with a vengeance.

The recent history of hydro-electric power development in Quebec is another example of pragmatism, but pragmatism with a difference. In Quebec, policies for economic development are tinged with linguistic minority nationalism or cultural self-defence. You in India know this phenomenon in so many of its forms that I hardly need to explain it except to warn you that the politics of French Canadian nationalism are subtle and complex. Reasoning by analogy with your own comparable situations will reveal some but not all of the factors involved, while some of the ones you would look for are missing.

The Liberal Party won power in Quebec in 1960 after fifteen years of rule by the *Union Nationale*. The latter, a rural-based party, was led by a French-Canadian nationalist autocrat, Maurice Duplessis, a very sophisticated politician. He acted in close harmony with the dominant church and business interests in his Province, and his policy was to give broad freedom to private enterprise. It was widely believed then, and is now to a large extent proven by Royal Commission investigations, that Duplessis' party received financial "kick-backs" from private enterprises in return for governmental favours.

The Liberals won power in 1960 after a campaign dedicated to clearing corruption out of the government of the Province. Their policy for hydro-electric power development was to acquire as public undertakings the remaining privately-owned power companies. I say "remaining", because public enterprise in this field had already begun with the creation and gradual expansion

4. See Stuart Jamieson, "Power in B. C.," *Canadian Forum*, Vol. 4 (May 1962), pp. 35-36.

of the Quebec Hydro-electric Power Commission after 1944. But several important privately-owned electric utilities still remained, notably the Shawinigan Power Company and Southern Canada Power Company. These were old, locally-respected and not inefficient companies. They had grown as fast as industry in their region demanded, and the rates they charged were not high. Their principal offence, from the French-Canadian public's point of view, was that they were predominantly English-Canadian or non-Canadian companies. The companies in defending themselves made much point of their practice of promoting French Canadians to middle and higher management levels. But this defence did not satisfy Quebec's impatience for rapid economic development under French Canadian control.

Both the political parties, the governing Liberals, and the *Union Nationale* (now in opposition and without Duplessis as their leader), declared their intention to socialize the power companies, and in November 1962, when the Liberals called for an election mandate to carry out this policy, the voters gave it to them handsomely. As for the privately-owned power companies, they were without hope of survival, since neither major party would defend them.

Here, then, was a case of public enterprise as a means of economic development for essentially French-Canadian nationalist ends. "Nationalist" however is not quite the right word. There is very little sentiment for secession in Quebec. What most French Canadians want is provincial autonomy for Quebec within a loose federal system, and full, constantly-renewed recognition of their right to linguistic and cultural equality within a Canadian bi-cultural State. If this is to be more than an illusion, contemporary French-Canadian leaders contend (probably rightly) that the French-Canadians must emerge from a subordinate to a dominant role in the economic life of their region.<sup>5</sup>

5. H.G.J. Aitken's term "defensive expansionism" can be better applied to the recent economic policy of the Provincial Government of Quebec than to the economic policy of the national government. Aitken, like Creighton and others, places the United States in the role of the threatening stimulus to Canadian development: but to the present speaker this theory seems to be over-worked. Development was sought more for simple, materialistic reasons than for strategic or political reasons: and strategy, in so far as it has affected Canadian economic development, has been aimed at defeating Germany or containing Russia, in alliance

Let us turn now to provincial public enterprise in the field of liquor sales. I shall be brief because I have written about this topic elsewhere.<sup>6</sup> What may be of interest to this audience is the fact that these highly profitable provincial monopolies of retail sales of bottled liquor originated in the first World War and the 1920's ostensibly as a means to limit, if not completely to prohibit, the sale of liquor. They still masquerade under the title of Liquor Control Board or Liquor Commission, and the legislation under which they operate pays lip-service to the idea of abstinence. But social customs have changed in Canada since they came into existence, and now their real function is to produce a large revenue and to meet the community's demand for readily available, varied supplies of domestic and imported wine, spirits and beer. There are differences in the legislation from province to province, but these remarks apply generally.

Combined with their retail sales function, the liquor boards have responsibility for licensing hotels, bars, and restaurants to sell various kinds of liquor. The distillation of spirits, bottling of wine and brewing of beer are in the hands of private enterprise. As you can well imagine, there is intense interaction in terms of pressure politics between the Provincial Cabinets and Liquor Boards on the one hand, and the distillers, vintners, brewers, hotelkeepers and restaurant owners on the other. Keeping the liquor business within the law is one of the country's problems of law-and-order administration, specially when, as in Canada, the liquor law lags behind the opinion of the most advanced (and also of the least advanced) elements in society. Maintaining the honesty of the liquor commissions' subordinate personnel is not an easy task either, and instances of corruption do crop up with the United States. On the other hand, Quebec's French Canadians, and the governments they have elected in the past two decades, do appear to have a constant fear of English Canadian domination. "Defensive expansionism" would be a good description of their policies: it is more deliberate since 1960 than before. Would "defensive expansionism" be a correct term to apply to India's efforts in the present emergency, or has the sense of national danger not yet become urgent? See H.G.J. Aitken, "Defensive Expansionism: The State and Economic Growth in Canada," in H.G.J. Aitken, ed., *The State and Economic Growth*, New York, Social Science Research Council, 1959, pp. 79-114.

6. D. C. Corbett, "Liquor Control Administration in British Columbia," *Canadian Public Administration*, Vol. 2, 1959.

in this field, though Canada has a relatively high standard of honesty in public administration generally. Whether such bodies as our liquor commissions could function in other societies, without lending themselves to gross abuse, I hesitate to say. The rot tends to set in in the field and at the lower levels. I shall be interested to know whether a study of liquor control administration, written from the point of view of an uncommitted student of public administration rather than that of a puritanical social reformer, exists in India. If not, it would be a subject worth studying.

## II

Now I wish to turn to public enterprise in Canada at the national level. Here my focus will be limited, and I will only discuss Canada's experience with dual, public-private industries in which one major undertaking is publicly-owned and another, or several other, major enterprises are private-owned, and all are under governmental regulation. This is an awkward description to have to repeat several times in a lecture. I have elsewhere<sup>7</sup> proposed the terms "metaphism" and "metaphytic industry" as shorthand symbols for what is meant. Examples are British television programme production, electric power in the United States, British road haulage, motor-car production in France and Germany, Indian iron and steel, and so on. It is apparent from the Industrial Policy Resolution of 1956 that many Indian industries are intended to pass through an indefinitely long period of dual, public and private operation under general economic planning as well as particular, departmental control.<sup>8</sup> These industries have special problems and, as well, offer special opportunities. The publicly-owned enterprises in such industries cannot be studied as monopoly public enterprises are studied, paying attention mainly to their formal structures and the ordinary mechanisms of governmental control. Public enterprises

7. D. C. Corbett, "Airline Policy and Administration," *Public Administration* (Australia), Vol. 20, (September 1961), pp. 193-213. The term "metaphyte" is borrowed from botany, where it refers to forms of life comprising two or more cells.

8. I rely here on H. G. Paranjpe, "Government Regulation of Private Industry in India," *The Indian Journal of Public Administration*, Vol. VIII, No. 3 (July-Sept., 1962), pp. 297-316.

in metaphytic industries must be studied in a broad political and economic framework if one is to understand either their structure or their operations.

Take the Canadian railway system as an example. The industry is almost equally divided between the privately-owned Canadian Pacific Railway Company and the publicly-owned Canadian National Railway. Presiding over the railway rate structure and many other technical aspects of the industry is a governmental regulatory authority, the Board of Transport Commissioners.<sup>9</sup>

This system did not grow up by design. The Canadian Pacific Railway Company, a privately-owned company assisted by governmental subsidies and land grants, built its main transcontinental railway line between 1878 and 1885. The regulatory authority, the Board of Railway Commissioners as it was then called, was established in 1904. The Canadian National Railway became a publicly-owned, corporately-organized undertaking in 1919 when two privately-owned transcontinental railway systems were about to become bankrupt and a predominantly Conservative government, anxious to protect the international credit-rating of Canadian securities, bought them both. Meanwhile the Canadian Pacific Railway Company, financed by equity shares rather than debentures and therefore able to increase or decrease its payments to investors as its earnings rose and fell, was able to survive periods of economic difficulty and remained a privately-owned enterprise, though at one stage, in 1916, its President, Lord Shanghnessy, appealed unsuccessfully to the Prime Minister, Sir Robert Borden, to buy the Company's railway system. Again in the 1930's there was some discussion about whether the C.P.R. should be nationalized, but it came to nothing. The metaphytic character of the Canadian railway system has become permanent.

This metaphytic system has had certain advantages for Canada, which might make it an interesting subject of study for research students in India. The question to pursue would be whether similar advantages have accrued, or might be expected to

9. A. W. Currie, "The Board of Transport Commissioners as an Administrative Body," in J. E. Hodgetts and D. C. Corbett, eds., *Canadian Public Administration: A Book of Readings*, Toronto, Macmillan, 1960, pp. 222-240.

accrue from the specifically metaphytic character of comparably organized Indian industries, industries which are metaphytically organized at present or might be so organized in the future. In the Canadian railway industry, metaphism has succeeded in its first objective, that of protecting the country's credit, removing an obstacle to economic development, retaining access to foreign sources of capital. The C.N.R. undertook large-scale investment in the 1920's to integrate and modernize its railway systems and to add hotels and steamship services. The C.P.R. has grown steadily also, and has never lacked capital to keep pace with the Canadian economy's demands. The C.P.R.'s sources of funds were originally in England, but more recently its funds have come mainly from internal financing, and from Canadian sources. The days of railway expansion are now largely over; motor roads now carry by far the larger share of overland passengers and a large share of freight as well. Total nationalization of the railways, though it seemed an attractive solution to Prime Minister Sir Robert Borden,<sup>10</sup> might have alarmed foreign investors. On the other hand, if the government had failed to act and forestall the bankruptcy of the privately-owned Grand Trunk Railway and Canadian Northern Railway, this could have impaired the credit of Canadian industries and governments. A metaphytic system can, in some circumstances, be the means of averting a crisis of confidence. It also allows an industry to tap both public and private sources of funds.

A second advantage of metaphism in the Canadian railway system has been that it has contributed to public knowledge and, within limits, understanding of the railways' problems. Because the railways are large employers and spenders, and because they play such a great part in the economic life of certain regions, they have always been the subject of political concern. Since one is publicly-owned and the other privately-owned, the relative merits of the two railway enterprises lend themselves perfectly to the purposes of political debate. They are cited in every argument for and against private enterprise, for and against public ownership. Partisans of the C.N.R. appeared in Parliament in the ranks of the Progressive Party, a farmers' party of the 1920's, and in the C.C.F., the Democratic Socialist Party founded

10. Sir Robert Borden, *Memoirs*, Vol. II, London, Macmillan, 1938, p. 643 and ff.

in 1932. Some were also found in the ranks of the Liberal Party. Partisans of the C.P.R. appeared both in the Liberal Party's ranks and, more commonly, among the Conservatives. Mackenzie King, the Liberal leader who was for twenty-two years Canada's Prime Minister, confided to his diary<sup>11</sup> that he regarded the C.P.R. as his political enemy, deeply interlocked with the Conservative Party<sup>12</sup> and even party to a conspiracy with the British Government to thwart Canada's sovereign independence during the second World War. It was an extravagant suspicion, of the sort King wisely confided to his diary rather than the public, but it suggests how importantly railways have figured in the political consciousness of Canadians. Metaphism has strengthened this preoccupation, but the effect in terms of political vigilance has been good rather than bad.

On the surface it might seem very bad for the railways to have been so constantly the object of the politicians' attention. But I do not think this has been so. The Canadian railways appear to me, as a layman in such matters, to have been at least as well equipped, as impressively engineered, as well financed and managed, and to have provided better service under more difficult conditions, than the railways of Britain, Australia or the United States; and this is not unrelated to the fact that Canada's is the only metaphytic railway system among those mentioned. Each railway in Canada serves as a yardstick for the other's performance, and if one of them falls short of the other's standards there is an immediate demand from its political supporters that justice be done and parity be restored. It may well be, of course, that looked at from an economic point of view Canada's railways are over-developed for this very reason.<sup>13</sup> This is a

11. J. W. Pickersgill, *The Mackenzie King Record*, Vol. I, 1939-1944, Toronto, University of Toronto Press, 1960, p. 647.

12. The C.P.R. is believed to be a contributor to the campaign funds of both the Conservative and the Liberal Parties, both of which profess devotion to private enterprise. But that did not allay Mackenzie King's suspicion. However, at the level of action, King did little that showed hostility to the C.P.R., except for one brief period, in 1944-45, when he threatened to prevent it from operating an airline. From this defiant position King soon withdrew, and the Canadian Pacific Airline flourished.

13. Over-development of railways, or at least the strong suspicion of it, can occur also when railways are a public monopoly, as the case of the Victorian railways, discussed in the next lecture, will show. Metaphism

vastly complex problem which has been the subject of many Royal Commission inquiries in Canada, and I only skim the surface of it in giving these impressions.

A further aspect of the Canadian railway system should be mentioned. The Board of Transport Commissioners functions as both a regulatory and a quasi-judicial body. To be eligible for selection as its chairman, one must be a barrister of long standing or a judge. Its decisions and regulations are published. The railways thus operate within a framework of known law and regulation rather than arbitrary ministerial influence. This is of interest to students of public administration because of the controversy, particularly in Britain, over whether Ministers should give open, explicit directives to public corporations or should, either directly or through their officials, attempt to influence them informally to conform in detail with the government's wishes.<sup>14</sup> A particularly forceful Minister of Finance or Minister of Transport (through whom the C.N.R.'s board of directors reports to Parliament) could, of course, exert arbitrary informal influence over the detailed decisions of the C.N.R.'s management. On the whole, however, circumstances and traditions in Canada are against ministerial manipulation of the publicly-owned railway, and one of the relevant circumstances is that the quasi-judicial authority of the Board of Transport Commissioners stands above both the railroads and the Minister and within the range of its powers, defines what the C.N.R. must do. Appeals can be taken from the Board to the Cabinet, but such appeals go forward in the open and the Cabinet's decision is a matter of record, so that responsibility is clearly fixed. Besides, the particular vigilance of the opposition, where railway matters are concerned, forces the Cabinet into defending all its policies toward the railroads and thus accepting responsibility.

is not the sole contributing factor in Canada; but even if it were a strong factor, this would not prejudice one against metaphysics as a system to be applied in a developing country in industries scheduled for rapid development. Besides, as the case of Australia's domestic airlines will show, a metaphysical industry in which regulations and rationalization are strongly applied can avoid over-investment, or reduce it once it has been allowed to occur.

14. See particularly W. A. Robson, *Nationalized Industry and Public Ownership*, London, George Allen and Unwin, 1960, Chapter 6, "Government Control."



I turn next to Canada's broadcasting system. Here we have another metaphytic industry but with some structural differences from the railways. The government owns a public corporation, the Canadian Broadcasting Corporation, which operates radio and television networks. The Canadian Radio Broadcasting Commission, parent of the present C.B.C., was established by a Conservative Government in 1932: the Liberal government which followed altered the broadcasting authority's structure, gave it its present name, and expanded its functions. Private companies own individual radio and television stations or groups of stations, but privately-owned radio broadcasting companies are not allowed to form networks. Until 1961 the same was true of television stations.

It would be fair to say that private enterprise in broadcasting has been confined to a more limited role than public enterprise.<sup>15</sup> This was partly by mutual consent: private station owners were more interested in local advertising revenue than in network operation, if the latter entailed serious educational or public service responsibilities. The Canadian government, and almost all political leaders whether in or out of office, considered the C.B.C. to be a public service and an instrument of national policy, essential if Canada was to maintain its separate identity on the North American continent,<sup>16</sup> and for this reason the C.B.C. had to be the dominant force in broadcasting. This view was supported by more than one Royal Commission and by successive Parliamentary Committees. The two most recent Royal Commissions on this subject were the Fowler Commission which reported in 1957 and the Massey Commission which reported in 1951.

To the Liberal Government, in office until 1957, it seemed necessary, in order to defend the C.B.C.'s dominance, to give the C.B.C. regulatory powers over the privately-owned stations. This view was endorsed by the Massey Commission but rejected by the Fowler Commission; and when the Conservative Party came to power it created (in 1958) an independent regulatory

15. See J. E. Hodgetts, "Broadcasting, Radio and Television," *Encyclopaedia Canadiana*, Ottawa, Grolier Society, 1960, Vol. 2, pp. 109-119.

16. The term "defensive expansionism" expresses very well the intention behind this cultural enterprise, even if it overstates the element of fear behind other Canadian economic policies.

authority, separate from the C.B.C., to control both private and public broadcasting on the same terms. It is doubtful whether this change in itself was to the advantage of private broadcasters. The C.B.C. in its regulatory role had not been unfair to them, and the new regulatory authority, the Board of Broadcast Governors, was not designed to give them special favours. Among its policies regarding private television stations, for example, is a rule that half of their broadcast material must be Canadian in origin or content. The rule has many loopholes, but it is evidence of the Board of Broadcast Governor's intention to exact a price in public service for the privilege of a broadcasting licence. However, in 1961 the Conservative Government adopted another new policy which will give private broadcasters a bigger role in the industry: for the first time in the history of Canadian broadcasting, the government allowed a network of private stations to be formed. This is a television network, not a radio network. Its growth will depend on the availability of advertising funds, and these are not flowing as freely in Canada at the present time as the promoters of private television broadcasting had hoped. It remains to be seen whether the privately-owned television network will fall under American control: the fear that this might happen had always been one of the reasons for not allowing private networks to be formed in the past.

In broadcasting, the metaphytic system involves dangers. The "yardstick effect" works occasionally: in some instances private radio and television stations have produced programmes of high quality, with less expense and pretentiousness than the C.B.C., which should, and sometimes does, reduce the C.B.C.'s complacency: and the C.B.C.'s high standards of programme quality sometimes inspire the private stations to emulation. But the reverse effect is more likely: the private stations hold the mass audience with low-standard programme fare, which sometimes worries the C.B.C. into making shoddy efforts at popularizing programmes which they should have the courage to produce at the highest standard for minority audiences. This leads to a sort of cultural Gresham's law.

In defence of the metaphytic broadcasting system it must be said, however, that it has stood the test of time. It is now thirty years old. It suits Canadian tastes and opinions; or, to put it more realistically, it balances the forces of opposing pressure

groups. The advertising business, the newspaper proprietors (many of whom own broadcasting stations), the private broadcasters and the mass audiences will not tolerate public monopoly. The teachers and professors, performing artistes and intellectuals will not tolerate commercial monopoly. Metaphism has the advantage in this case that it keeps the peace between conflicting lobbies. It is "politically efficient".

Because pressure groups are so delicately balanced, broadcasting and the relative merits of the public and private systems are always on the agenda of public discussion. Parliament year after year establishes a sessional committee on broadcasting or gives time to this theme in general debate. The public is inevitably well-informed about the C.B.C., and in that sense accountability functions perfectly. The democratic process of bargaining, discussing, lobbying goes on vigorously and openly, and Canada's broadcasting policy is a genuine reflection of Canadian democracy.

Finally I should like to describe the control and management of airlines in Canada. The transcontinental airline, Trans-Canada Airline, is publicly-owned. It is also an international airline, in partnership with B.O.A.C. on the Atlantic route and operating its own regular services to the United States and the Carribean area. T.C.A. is organized as a public corporation; it is formally a subsidiary of the Canadian National Railway but in practice an independent enterprise with its own corporate management and its own full range of managerial services such as staff recruitment, control of funds, purchasing, maintenance, sales and publicity.

The privately-owned Canadian Pacific Airlines began in 1942 as a Western regional airline, branched out in the late 1940's and 1950's as an international airline linking Canada with the western Pacific, South America and Europe, and in 1958 obtained the Conservative government's consent to a single daily transcontinental service in each direction to link up its overseas services on the Atlantic and the Pacific. In addition to Canadian Pacific Airlines there are half-a-dozen other privately-owned domestic airline companies flying scheduled services within a region, and a large number of small air services companies providing chartered services, unscheduled point-to-point services and other more specialized air transport work.

Both publicly- and privately-owned air transport companies are under the jurisdiction of a regulatory authority, the Air Transport Board. This Board, created in 1944, advises the Minister of Transport on airline licensing. It has limited advisory powers regarding the authorization of routes, but in other technical respects the Board has power over all air transport companies, including T.C.A. As regards routes, T.C.A. was until 1961 exempt from the Air Transport Board's powers, but since 1961 the Board has been empowered to deal with T.C.A. on the same basis as other airline operators. The Canadian Government serves and regulates the air transport industry not only through the Air Transport Board but also through the Civil Aviation Division of the Department of Transport. It provides airport facilities, navigation and meteorological services and other technical necessities to both the publicly- and privately-owned airlines.

Taken as a whole, civil aviation in Canada can be described as a metaphytic industry. Governmental regulation is present. Public and private enterprises are also present. But the two do not yet compete directly and equally with one another, as do, for example, the Australian domestic airlines. The current difficulty airlines are having in attempting to pay for their expensive new aircraft affects the Canadian airlines just as much as it does the airlines of Britain and the United States. The times are not propitious for adding new competitive airline services, and mergers are being considered everywhere. T.C.A. and C.P.A.L. have both been losing money recently, and a merger plan is being discussed, though the outcome is not certain. My guess would be that T.C.A., C.P.A.L., and the regional airlines will go on under separate management as they are now, but overlapping services may be pruned away and some integration of their *operations*, rather than of their corporate structures, may be imposed.

Metaphism in the Canadian airlines is thus developing in an unfavourable economic climate, and it will not develop fully for some time, if at all. But, to the limited extent that it has been applied, it has already conferred some benefits on the airlines and the public. Before 1959, T.C.A., as monopolist on the trans-continental services, was suffering from hostile public opinion.<sup>17</sup>

17. S. Wheatcroft, *Airline Competition in Canada*, Department of Transport, Ottawa, 1958.

Its planes were not new, complaints about service to passengers were common, and customers were being lost to American airlines flying east-west routes near the Canadian border. Then in 1959 C.P.A.L.'s single daily each-way transcontinental service began, and though T.C.A. continued to have as many as twelve daily flights each way the complaints diminished. Perhaps T.C.A. improved its services owing to competition. More likely, customers dissatisfied with T.C.A. patronized C.P.A.L. instead, and customers of either airline enjoyed the satisfaction of knowing that they could, if they wanted, take their custom elsewhere. Furthermore, from the standpoint of public accountability, C.P.A.L.'s emergence as a rival for T.C.A. gave new life to public and Parliamentary discussion of airline policy. The presidents of the two airlines have been busy in the past three years exchanging comments and criticisms through the press, with the result that broad issues of public policy have become clearly defined. The question of whether C.P.A.L. and T.C.A. should merge is being discussed in the full glare of publicity before any action is taken, as contrasted with the complete silence that preceded the amalgamation of the Atlantic Services of B.O.A.C. and Cunard-Eagle in Britain. The Canadian Parliament's Select Sessional Committee on Railways, Shipping and Airlines Owned and Controlled by the Government, which used to be a dull affair, should in future sessions become more lively, critical and well-informed: or, equally likely, the subject of airline policy, which has rarely been debated with insight by the Canadian Parliament as a whole, may now receive the full Parliamentary attention it deserves.

At this point I shall dismount my metaphytic hobbyhorse and leave it standing there for you to examine. Is the notion of metaphism, as here defined, of any use to you in analysing Indian Industries? Do you have many industries of this sort? Have you made special studies of them? Have you analysed their peculiar structure, its political side-effects and its administrative problems? If so, your work will help us to understand an emerging form of industrial organization, of which examples are to be found not only in Canada and Australia and India but in every country with a mixed economy. Such industries are not to be regarded as mere degenerate forms of either capitalism or socialism, but as a species in their own right. They combine

elements of competition and of regulation, of private incentive, and of public service.

Possibly, too, metaphism constitutes a solution to that classic conundrum, the accountability of public corporations. Most authorities agree that autonomy of management is a prerequisite for corporate efficiency in a market setting. On the other hand, in a democracy public ownership implies responsibility of the enterprise to the executive and legislative branches of government. It is difficult to have it both ways, and not even the persuasiveness of Lord Morrison or Professor Robson can reconcile these alternatives logically; though empirically, as both those authors so well explain, a sort of reconciliation does occur in British practice. But the juxtaposing of major public and private undertakings in the same industry, under government regulation, creates, in theory at least, an opportunity and a predisposing political atmosphere for critical inquiry into the affairs of both, for animated Parliamentary and public discussion, and yet for managerial freedom to make decisions within a framework of known policy and law. Thus metaphism provides a theoretical solution to the problem of autonomy and accountability.

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public corporations now in existence. Unfortunately no satisfactory "administrative biography" of Howe has yet been written, though there is an interesting popular biography by Leslie Roberts.

The third volume of the Report of the Royal Commission on Government Organizations is reported to contain an analysis of commercial and industrial activities of government departments and agencies in so far as these duplicate those of privately-owned industry, but I have not yet read the Report itself.

As to the role of the state in Canadian economic development in general, see especially A. Brady, "The State and Economic Life", in G. Brown, ed., *Canada*, United Nations Series, Berkeley, California, University of California Press, 1950; and H.G.J. Aitken, *op. cit.* (note 5 above).

In addition to the ones discussed in this lecture, there are many other Canadian public enterprises which would be of intrinsic interest to Indian students. One obvious example is the St. Lawrence Seaway. An illustrated brief account of the St. Lawrence Seaway project is Pierre Camu's article "The St. Lawrence Deep Waterway," *Encyclopaedia Canadiana*, Ottawa, Grolier Society, 1960, Vol. 9, pp. 169-176. See also S. Judeh, "The St. Lawrence Seaway in Operation", *Canada Year Book 1960*, pp. 851-860.

## (II) AUSTRALIA\*

Australia differs from Canada in having had for more than fifty years an effective Labour Party with a professed belief in public ownership. Yet the Australian Labour Party has made less difference than one would imagine to the role of public enterprise in Australia compared with Canada. Labour has held office over long periods in most of the States, but only briefly at the national level.<sup>1</sup> One might expect that socialist-inspired public enterprises would appear prominently in the States where Labour has been dominant. But in fact the main pattern of public enterprises is broadly similar in all the States, and the timing of the creation of State public enterprises mainly coincides with the stage of development of the States' economies rather than the ideology of the party in power. This is not to deny that ideology plays some part in the history of public enterprise in Australia: the attempts by the Labour Government at the national level to nationalize the airlines in 1945 and the banks in 1947 were in large part ideologically motivated, and so was the creation of numerous minor public enterprises in the State of New South Wales during the Labour Party's early tenure of office there,<sup>2</sup> and in Queensland which has had Labour Party governments for longer periods than the other States. But, broadly speaking, Australian public enterprise reflects not ideology but pragmatism and a universally shared concern that economic development be achieved by any and every effective means. The economic activities of Australian governments are, as Professor Brady puts it, "grounded in the expediencies of capitalism as much as in the ethics of socialism."<sup>3</sup>

\* Text of the second lecture delivered on February 7, 1963, at the Institute.

1. Labour held office at the national level for four months in 1904, seven months in 1908-09, then for longer periods in 1910-13, 1914-16, 1929-32 and 1941-49. See L. F. Crisp, *The Australian Federal Labour Party 1901-1951*, Melbourne, Longmans, 1955, pp. 330-332.

2. See R. S. Parker, "Public Enterprise in New South Wales," *Australian Journal of Politics and History*, Vol. 4 (November, 1958).

3. A. Brady, *Democracy in the Dominions*, Toronto, University of Toronto Press, 3rd Ed., 1958, p. 226.



The public enterprises of the Australian States typically include savings banks, railways, marketing boards for a wide variety of agricultural products, electric power utilities, irrigation systems and harbours. In random instances they have also included brick works (New South Wales), saw-mills (Queensland and Western Australia), fishing boats and fish shops (Queensland and New South Wales), shipping services (Western Australia), canneries, butcher shops and cattle stations (Queensland), and several other kinds of enterprise. At the national level, public enterprises in corporate form (i.e., not including such departmental undertakings as posts, telephones and telegraphs) include two airlines; a radio and television broadcasting system; a central bank, and a trading and savings bank with branches throughout the country; an export payments insurance corporation; the Snowy Mountains Hydro-Electric Authority; Commonwealth Railways, linking West Australia with the eastern States and serving the Northern Territory and the Capital Territory; a shipping line; an overseas telecommunication undertaking; and serum laboratories. Rather than attempting to describe all of these in a general way, I shall select the railways and the electricity commissions at the State level; and the Snowy River scheme, the broadcasting system, and the airlines at the national level.

## I

Public enterprises and other non-departmental agencies of the State governments in Australia employ three times as many persons as do the State Government departments.<sup>4</sup> The great public utility enterprises such as railways and electricity account for the majority of these non-departmental employees. By contrast with the States, the Commonwealth employs three times as many persons in its departments as in its public corporations and other non-departmental agencies.

The States' public enterprises are so large and so vital to the economy that State politics can never ignore them. These enterprises are "in politics" whether they like it or not: they cannot expect autonomy where policy questions are concerned. Even

4. R. S. Parker, "The Government of New South Wales," in S.R. Davis, Editor, *The Government of the Australian States*, Melbourne, Longmans, 1960, p. 155.

the outward forms of autonomy have been denied them in many cases. For example, New South Wales has an incorporated official (the Commissioner for Railways) who administers its railways, but he is directly under the Minister of Transport and the railways are officially referred to as the Railways Department. Another example of the formal denial of autonomy is the fact that the statutes governing many state enterprises require them to carry out their duties "subject to the direction and control of the Minister." In one extreme case the statute provides that the Minister may "exercise all the powers, rights and authorities conferred upon the Commission."<sup>5</sup>

Nevertheless the fact of incorporation by statute counts for something: the heads of these enterprises have certain statutory powers which they can sometimes use as shield and buckler, or even as a sword, in their encounters with the politicians. And, besides, by tradition and convention, or by the insistence of powerful leaders, some State enterprises have achieved *de facto* autonomy, not only in day-to-day routine but in larger questions as well.

Railways were not Australia's first public enterprises; that distinction probably belongs to the Victorian Savings Bank, founded in 1841; but the colony of Victoria acquired a privately-owned railway company as early as 1853, and from that date onwards the colonial government became deeply involved in railway development. Public enterprise was necessary in this instance because private capitalists saw no prospect of profit in railway-building on the scale demanded by the colonial community. Railways were to be the means of developing pastoral land in the dry inland areas where population was necessarily sparse and prospective revenues low. The other colonies followed Victoria's lead, and by 1855 New South Wales had also established a publicly-owned railway system.

Victoria also pioneered in developing an administrative structure for the railway system designed to keep political influences within bounds, though it could never eliminate them entirely. At first the Victorian railways functioned under the joint control of a Minister and a senior public servant. Then in

5. The Hospitals and Charities Commission of Victoria is the case in point. Note, however, that the word is "may". See A. F. Davies, "The Government of Victoria," in S. R. Davis, *op. cit.*, p. 191.

1883 control was transferred to three independent commissioners with secure terms of office though with limited powers of control. It is in setting freight rates and determining new routes that political interference has been most common in Australian railway administration. Graziers in the hinterland have endlessly importuned the governments, through their local members of State Parliaments, for new branch lines near their properties and for subsidized rates to get their produce to market cheaply. Perhaps the best arrangement for handling these demands is that arrived at by trial and error in New South Wales. There the government itself takes direct responsibility for establishing and maintaining non-profitable branch lines and for making up the deficiencies of revenue caused by artificially low rates on primary products. This leaves the Railways Commissioner some freedom to run the railways efficiently in terms of costs and revenues.<sup>6</sup>

In recent years the Australian railways, like those of other industrially advanced countries, have been overtaken by road and air transport, and their great difficulty has been to maintain enough revenue to pay higher wages while also modernizing their rolling stock. They have kept their deficits within bounds, partly because of the general growth and prosperity of the economy, partly because of the modernization they have undertaken, partly because of the restrictive regulation of road transport by State governments.

From a "public administration" point of view, perhaps the most interesting feature of Australia's state railways is their form of organization at the top level. In Victoria, as has been mentioned, three independent commissioners are responsible for the railways and report to the legislature through a Minister of Transport. In New South Wales the railways are under the authority of a single commissioner who, though he has the statutory powers of a corporation, operates rather like a permanent civil servant at the head of a ministerial department under the Minister of Transport. His employees, though not under the terms of the New South Wales Public Service Acts, are protected in their conditions of employment, *de facto* by a strong trade

6. N. McCusker, "Administration of New South Wales Government Railways," *Public Administration* (Australia), Vol. 17 (September, 1958), pp. 229-237.

union and *de jure* by the industrial wage arbitration system, which makes their status in many ways similar to that of departmental civil servants of the corresponding grades and skills. The Public Service Board of New South Wales also influences the personnel policies of the Railway Commission by way of advice and consultation and by training the Railway Department's personnel officers. Finally, the Railways are within the New South Wales annual budget: railway estimates are approved and appropriations granted by the State Parliament in the same way as those of other Departments.

In Queensland also railways come under a Railways Department headed by a Minister, but the permanent head of the Railways Department, immediately below the Minister, is given the title of Commissioner, has the statutory powers of a corporation, and functions with a limited degree of statutory and *de facto* authority similar to that of his opposite number in New South Wales. This pattern is repeated with minor variations from State to State. All States except Victoria have single Railway Commissioners.

Railways are among the Australian governments' essential services in the interest of economic development, inspired by capitalist expediencies (the self-interest of farmers and pastoralists) rather than by socialist ethics. Liberal and Country Party governments have been no less generous with public funds for the railways than Labour Party governments. The latter respond to the pressures of railwaymen's trade unions in somewhat the same way that the non-Labour parties respond to pressures from property-owners: but the Labour parties when in power also respond to pressures from the property-owner, the man on the land. Railways have been a costly undertaking in Australia. It has been shown by two government economists that although no fully convincing statistical comparisons can be made, such estimates as are available do suggest that in Australia transportation costs form a larger proportion of national income than in any other country.<sup>7</sup>

7. G. O. Gutman and R. J. Cornish, "Transport Costs and Gross National Product," *Public Administration* (Australia), Vol. 19 (June, 1960), pp. 173-174. See also H. M. Kolsen, "Transport in Australia," *Public Administration* (Australia), Vol. 18 (June, 1959), pp. 140-151, and H. M. Kolsen, "Transport Costs and the Gross National Product: A Reply," *Public Administration* (Australia), Vol. 19 (June, 1960), pp. 175-179.

State electricity authorities, like the railways, also function as public corporations. They have a somewhat greater degree of autonomy in formal terms than the railways, but their degree of practical independence varies according to the force and power of their chairmen compared with that of the Ministers to whom they report. The Victoria State Electricity Commission was founded in 1919. Its first Chairman was the formidable Sir John Monash, the Commander-in-Chief of Australia's army in the first World War. Dr. Encel has described him as ... "(dealing) with recalcitrant cabinets in the manner of Napoleon with the Directory."<sup>8</sup> It is an odd fact, worth studying, that in both Canada and Australia electric power authorities have attracted powerful, almost authoritarian administrative leaders. Is it because engineers rise to the top in this field and are conditioned by their profession to brush human obstacles aside? Do they, by training and nature, treat administrative machines as machines, more ruthlessly than those trained in the humanities and social sciences or reared in civil administration or other professions?

The other States were later than Victoria in taking over the generating of electricity as centralized state enterprises. Tasmania did so in 1930, but the remaining States, including New South Wales, did not get around to it until after the second World War. New South Wales established its Electricity Commission in 1950, entrusting to it the integration of electricity generating, which had previously been the responsibility of scattered, municipally-managed electricity generating and distributing authorities.<sup>9</sup> The Commission concerns itself with generating and wholesale distribution, while shire councils still distribute power at the retail level.

Electricity, like railways, is the servant of economic development in Australia. Australia's rapid diversification as an industrial economy since the second World War has been possible because of the cheap sources of coal in Victoria and New South Wales. Ninety per cent of New South Wales' electrical energy is generated from coal. Hydro-electric power plays a relatively

8. S. Encel, *Cabinet Government in Australia*, Melbourne, Melbourne University Press, 1962, p. 311.

9. H. G. Conde, "The Electricity Commission of New South Wales," *Public Administration* (Australia), Vol. 16 (March, 1957), pp. 37-54.

small part except in Tasmania. What part it may later play on the mainland depends largely on the future of the Snowy Mountains Hydro-Electric Authority, a Commonwealth enterprise to which we may now turn.

## II

The legislation to create the Snowy Mountains Hydro-Electric Authority was enacted in 1949. The scheme had been conceived and planned by the Chifley Labour Government, but was carried on with vigour and enthusiasm by their successors, the Menzies Liberal-Country Party coalition which came to power in 1949.<sup>10</sup> Anti-socialist convictions, in this case, were no barrier to the implementation of a scheme for water conservation, flood control, hydro-electric power and irrigation. The States of New South Wales and Victoria are contributing to the development of river systems and electricity transmission systems by building and financing works which form part of the grand design of the Snowy scheme, and both States share in its benefits, but the administering Authority is a Commonwealth public corporation entirely financed by the Commonwealth government. The Authority's top management consists of a Commissioner and two Associate Commissioners appointed by the Governor-General of the Commonwealth on the advice of the Cabinet. The Commissioner, since the beginning, has been a distinguished and forceful engineer, Sir William Hudson. His energy has been a factor in the Authority's success in obtaining large Commonwealth funds for the project.<sup>11</sup>

At present the hydro-electric generating capacity actually installed is less than the scheme was designed to provide, and whether the full plan is to be implemented remains uncertain.<sup>12</sup>

10. For a general description of the project, illustrated with maps, see "Snowy Mountains Hydro-Electric Scheme," in *Australian Encyclopaedia*, Sydney, Angus and Robertson, n. d., Vol. 8, pp. 171-177. See also *Yearbook of the Commonwealth of Australia*, No. 47, 1961, pp. 226-228 and No. 42, 1956, pp. 1103-1130 for official accounts of the project and its progress.

11. See Sir H. Hartley, "The Snowy Mountains Project and Its Leader," *New Scientist*, London, 24 May, 1962, pp. 394-397.

12. See H. W. Herbert, "Snowy Elephant? Too much emotion; too few hard facts," *Bulletin*, Sydney, 10 February, 1962, pp. 19-20. See also subsequent issues for correspondence and discussion.

One of the main difficulties is that New South Wales, which is supposed to pay for the construction of a major dam (the Blowering Dam) is reluctant to do so without considerable Commonwealth assistance because the State's needs for power are more cheaply met by thermal generators and the conservation and irrigation benefits are mainly enjoyed by the downstream State of Victoria. These problems of sharing costs and benefits among the States and the central government are certainly not unknown to you in India, as I learn from newspaper discussion of the controversy between Uttar Pradesh and Madhya Pradesh over the Rihand and Matatila projects, and no doubt those immediately concerned with such problems in India are already conversant with the details of the formulae of inter-governmental agreements involved in Australia's Snowy Scheme.<sup>13</sup>

This scheme also provides interesting parallels with experience in India in that American construction firms have been retained on a contract basis to carry out some phases of the project, although direction and supervision have come from within the Authority. At an early stage in the planning of the scheme the Snowy Mountains Hydro-Electric Authority also received direct assistance from the American Government. Engineering personnel from the Bureau of Reclamation were sent to Australia to assist in designing the project, engineers at the Bureau's headquarters in the United States worked on it, and the Bureau also helped to train Australian personnel.

Such a hasty review does scant justice to the Snowy River Scheme, but I shall now move on to discuss two other national public enterprises, and leave you to ask questions or consult the sources cited for further details.

In the fields of broadcasting and airlines, Australia has adopted a pattern of public and private enterprise under government regulation similar to the one I have described in the lecture on Canada. There are, however, some differences within that broad similarity which are worth pointing out.

The Australian Broadcasting Commission was established in 1932, the same year as Canada launched its publicly-owned

13. A brief account of these arrangements is found in A.J.A. Gardner, "Commonwealth-State Administrative Relations," in R.N. Spann, ed., *Public Administration in Australia*, Sydney, N.S.W. Government Printer, 2nd Ed., 1960, pp. 245-246.

broadcasting system.<sup>14</sup> In Australia, as in Canada, both radio and television broadcasting are shared between the public and the private sectors, but (unlike Canada) the privately-owned radio stations have joined together in networks since their early days. Another difference is that the A.B.C. depends entirely on government funds, whereas the C.B.C. earns a small share of its revenue from the sale of advertising time. The A.B.C.'s programmes are not interrupted by commercial announcements.

Plans were laid for television broadcasting in the time of the Chifley Labour Government, a few years after the second World War, but regular broadcasting did not begin until 1956, four years later than in Canada. Proximity to the United States allows viewers in the main Canadian cities to receive programmes from across the border, and this in turn leads to the escape of Canadian advertising expenditure to the United States and induces fears of complete American cultural domination. These factors forced the pace of television development in Canada, whereas Australia, comparatively isolated, could take its time.

The Chifley Labour Government in 1948 established a new regulatory body, the Australian Broadcasting Control Board, with three main purposes. In the first place, it was to establish rules governing broadcasting by both the publicly-owned and privately-owned stations. Secondly, it was to advise the Minister (The Postmaster-General) on licensing of broadcasting stations. In the third place, it was to establish a publicly-owned monopoly of television broadcasting. The first two purposes have been carried out, but the Menzies Government adopted a different policy regarding the third, and allowed private enterprises an equal share of the television broadcasting business. Although privately-owned television stations have flourished and prospered under the Menzies Government, nevertheless the Australian Broadcasting Control Board, and the Postmaster-General whom the Board advises, do impose certain restrictions on the interlocking of ownership and control among private companies operating television stations. The object of this policy is to ensure that such companies give genuine local service in the areas where their stations operate, rather than simply (and

14. W. H. N. Hull, "The Public Control of Broadcasting: The Canadian and Australian Experiences," *Canadian Journal of Economics and Political Science*, Vol. 28 (February, 1962), pp. 114-126.



cheaply) relaying broadcasts from one city.

The Australian Broadcasting Control Board was a partial solution to the problem of regulation which Canada did not deal with until ten years later, with the creation of the Board of Broadcast Governors in 1958. As was pointed out in the previous lecture, private broadcasters in Canada objected vehemently to being regulated by their competitor, the Canadian Broadcasting Corporation, but their objections were of no avail while the Liberal Party was in power: only in 1958 was the independent regulatory body established. While Australia can thus take credit for early initiative in this direction,<sup>15</sup> the Australian Broadcasting Control Board is a poor precedent in one respect: it lacks full statutory authority to grant or withhold licences. After holding a quasi-judicial inquiry, the Board merely advises the Minister (the Postmaster-General). In this way it has a weakness that also characterizes the Canadian Air Transport Board. Though a Board of this kind can do justice, it often does not *appear* to do justice, or its justice appears to be tempered by politics before the final verdict falls. The press, goaded by suspicion and vested interest, complains that licensing is "fixed" by a political rather than a judicial process. Whether any such accusation has a basis in fact or not, it is unsatisfactory that the limited powers of the Board permit the possibility. As the late Professor Leicester Webb put it, "...there is...something to be said for making the Minister fully responsible for the control of television and reducing the Board to the status of a purely advisory body...there is more to be said...for a regulatory commission with a full delegation of powers. But for an intermediate situation, in which some functions rest with the Minister and some with the Board and others still hover indeterminately between the two, there is nothing to be said—unless it be by those who have a vested interest in bad government."<sup>16</sup>

From this a general proposition emerges. A metaphysic industry needs a strong and independent regulatory authority

15. The Federal Communications Commission in the United States was a still earlier example of a regulatory authority in the broadcasting field. It dates from the 1930's, but it regulates a broadcasting industry that is entirely privately-owned and is therefore not comparable with its Australian and Canadian counterparts.

16. L. C. Webb, "The Social Control of Television," *Public Administration* (Australia), Vol. 19 (September, 1960), p. 214.

with full statutory powers if it is to cope with the political pressures which inevitably arise within such an industry. The juxtaposition of public and private enterprises as competitors within the same industry insures that advantage will be taken of any chance to complain of partiality toward either one or the other. Only a strong regulatory authority can discountenance such complaints and establish its *bonafides* with both parties. This proposition may be worth considering in connection with such metaphytic industries as you have or may develop in India.

Finally I turn to the publicly-owned airlines of Australia. Like India, Australia has two separate airline corporations, one serving the domestic market, the other carrying the national flag abroad in international competition. Dr. Paranjape in a recent article<sup>17</sup> raises the question, which Paul Appleby also touched on, whether India's two airlines ought to be merged, or at least grouped under a holding company. Australia's reasons for not doing this are worth considering here. QANTAS has been maintained as a separate organization in order to preserve the continuity of its management and its public prestige, carried over from its earlier existence as a private enterprise. When the Commonwealth government bought up all the shares in QANTAS in 1947, it left QANTAS very much as it was in terms of organization. The terms of the company's relationship with the government are contained in a private document, a Financial Agreement between the company and the government, rather than in a statute. The Chairman of the company is still the same man who led it when it was a private enterprise. If QANTAS were to be merged with the publicly-owned domestic airline, Trans-Australian Airlines, QANTAS would lose something of its corporate personality and esprit de corps. I doubt if this loss would be sufficiently offset, in the Australian case, by gains in terms of economy of large-scale operation, greater specialization, and so on, which Dr. Paranjape stresses in discussing the Indian case. Of course here it may be that Air-India could contribute so much to the morale and dynamism of the Indian Airlines Corporation that the balance of intangible advantages, as well as tangible ones, is on the side of a merger. This is a question I hope to

17. H. K. Paranjape, "State Enterprise: Coordination and Control," *The Indian Journal of Public Administration*, Vol. VII, No. 4 (Oct.-Dec., 1961), pp. 528-542.

study further while I am here. My initial hypothesis, based on studies of airlines in other countries, is that tidy-mindedness and administrative logic are not always the best guides in dealing with questions of this kind. Personalities count for a great deal and flexibility and enterprise must be encouraged. One cannot be certain that the economies of scale would be real until one has made a very close study indeed.

To digress further for a moment, we may also look at this question from the Canadian angle. It may well be, for example, that Canada's T.C.A. which is both a domestic and an international operator, loses some of its "punch" on the international side for this very reason, though it does benefit in its international operations from a widespread sales organization serving its domestic routes across the nation. In Canada's case, of course, the history is very different from India's and Australia's, because Canada had no privately-owned international airline before T.C.A. occupied this field. The private international operator, C.P.A.L., came into the scene almost a decade later. With this history behind it, T.C.A. might suffer severe loss of morale if it were now split up into two separate airline organizations, one domestic and one international, the latter a merger with C.P.A.L., a possibility which has been seriously considered recently. These questions of airline mergers versus separate organization ought to be studied in the context of personalities, politics, history and organizational morale, as well as in the context of cost accounting.

Australia's domestic airline system is a dual, public-private one under governmental regulation, a metaphytic system in the strictest sense. This came about in the first place not by design but by accident. The Chifley Labour Government decided, for dogmatic socialist as well as pragmatic reasons, to nationalize domestic airlines and create a publicly-owned monopoly. In attempting this it fell foul of the federal Constitution. The High Court decided that section 92 of the Constitution, which provides that trade, commerce and intercourse between the States must be "absolutely free", protects the right of private enterprises to carry on inter-State air transport, and prevents the Commonwealth from eliminating them by legislation. What remained of the Chifley Government's 1945 airlines legislation was the part creating a government-owned domestic airline, Trans-Australian Airlines, administered by a public corporation, the Australian

National Airlines Commission. The privately-owned airlines, operating both within States and between States, remained free to compete with T.A.A.

Between 1946 and 1951 T.A.A. quickly overtook its competitors, and Australian National Airlines, the main privately-owned competitor, came near to collapse. When the Menzies Government came to power in 1949 it considered selling T.A.A. to private investors, but dropped this idea because there was a public outcry against it. T.A.A. had become popular. In 1952 the Menzies Government declared a "two-airline policy" guaranteeing the equal access of private and public airlines to the domestic market, and this policy it still maintains. Politically this policy has the merit that it deeply offends neither the supporters of the privately-owned airline nor those of the publicly-owned one, though of course it falls short of satisfying the dogmatists on the socialist side or in the free enterprise camp. The system gives consumers some freedom of choice and gives both airlines the stimulus of a limited form of competition.

Maintaining the metaphytic domestic airline system has been difficult because the privately-owned airline has been in financial trouble, has had to be reorganized in 1957 (when it emerged under the present name of Ansett-A.N.A.), and has needed government guarantees to assist it in raising the capital for new equipment. In return for giving these financial guarantees, the Commonwealth Government has imposed control over the private airline's routes, rates and expenditures on equipment. The body administering these controls is the three-man Rationalization Committee. It consists of a Commonwealth official (the Director-General of Civil Aviation) as Chairman, and representatives of the public airline and the private airline. Appeals from its decisions can be taken to an arbitrator who is a judge of one of the Commonwealth courts.

This Rationalization Committee, which took its present form in 1957, is a vast improvement over its predecessor, which lacked a Commonwealth appointee in the chair. Gradually the new Rationalization Committee is hammering out a set of principles of determining the allocation of traffic and routes between the two operators. In 1961 for the first time its decisions were published as a supplement to the Annual Report of the Department of Civil Aviation. Publication of decisions,

plus a judicial appeal procedure, makes arbitrariness impossible, and gives each airline the assurance that though it cannot expect to win every contest, it can also count on not losing them all.

One issue that remains is whether it is appropriate for the Director-General of Civil Aviation (the civil servant at the head of the Department of Civil Aviation) to function also as the chairman of the Rationalization Committee. Does this give the Government too much say, and does it leave both the privately-owned airline and the publicly-owned airline too vulnerable to government coercion? Though the privately-owned airline has had no reason to worry about this issue under the present government which has been friendly to it, one can deduce from the experience of other metaphytic industries such as the Canadian broadcasting industry that as soon as the privately-owned half of the industry feels itself threatened it will make a plea for a fully-independent regulatory authority.

Once an independent regulatory authority exists, as bitter experience in the United States has shown, there is a great danger that it will fall completely under the influence of the industry it is supposed to regulate. However, metaphism provides a safeguard against that danger, a safeguard which is generally not to be found in the United States where regulated industries are by and large privately-owned. Under metaphytic (i.e., dual, public-private, regulated) conditions, the two opposed sides of the industry watch each other suspiciously, while equally suspicious and opposed political factions or parties look on. This scrutiny should tend to prevent the regulatory authority from becoming a puppet. So far, the Rationalization Committee in Australia, even though so thoroughly a part of Departmental administration, can be regarded as a regulatory authority of independent, judicial temper.

The return of the Labour Party to power in Australia, if and when it occurs, will be a test of the durability of Australia's metaphytic airline system. The Labour leader, Mr. Calwell, has said he will preserve it, but strong elements in his party are hostile to the privately-owned airline and may wish to let it fade out by withholding governmental guarantees of finance.

In concluding, I should like to go back to the observations I made at the beginning of the first lecture. I called attention to the advantage which Canada's and Australia's public enterprises

have because they serve communities which welcome change and admire entrepreneurial boldness. It is true that both countries are without formal economic plans, and their national governments both resist the idea of planning, though they both practise an advanced form of macro-economic management with varying success. Canada especially has problems of unemployment and instability that seem to call for more deliberate planning, at least of the indicative (or Monet) type: but, in one sense, neither Canada nor Australia needs planning in the way India does, because in each of these countries there is already, without a plan, a general will for economic growth, and the need to bend institutions toward that objective is broadly accepted. Public enterprises in those countries take their place, and an increasingly important place, among the accepted means to an agreed end, economic growth. Socialism as an ideology plays a very small part in Canadian politics, and a more important but still small part in Australia: in any case it is increasingly difficult to identify democratic socialism as an ideology with nationalization of industries or extension of the public sector—revisionism à la Crosland has gone too far for that. The sizable role of public enterprises in both Canada and Australia must therefore be ascribed to non-socialist, even anti-socialist forces.

Let it be taken for granted that India needs a vast growth of public utility services and industrial enterprises, both public and private: can any way of getting to that objective be deduced from the experience of these two fortunate Dominions? Their public enterprises grew in an atmosphere of consensus. What can bring about such consensus here? To the outsider two things seem to have contributed to such consensus as you have attained in the past: the struggle for independence and its residual momentum in the form of national pride and a strong governing party; and the Congress leaders' efforts, not always successful, to kindle enthusiasm for the Plans. Now a third opportunity has presented itself in the form of the Chinese challenge. Tragic though it may be that India in her poverty should have to cope with such a challenge, nevertheless it could be the occasion for a triumph over poverty. Indignation could be transmuted by political leadership into a national will for growth, a will such as Canada and Australia seem to have had given to them from birth, a gift of their particular histories. Canada and

Australia have experimented, without doctrinal inhibitions, in the mixing and combining of public and private enterprise in new ways and under new forms of control. This pragmatic approach may be more valuable as a model than any of the specific forms of administration that have emerged in the two Dominions, but their forms of administration may also help you to think about and solve some of your problems here.

#### BIBLIOGRAPHY

Even after thirty years, the most important book on Australian public enterprise is still F.W. Eggleston's *State Socialism in Victoria*, London, P. S. King, 1932. From there on, the trail leads to chapters in symposiums and journal articles, of which some outstanding ones are:

F. A. Bland, "Some Implications of the Statutory Corporation," *Australian Quarterly*, Vol. 9 (June, 1937), pp. 37-50.

G. Sawyer, "The Public Corporation in Australia," in W. Friedmann, ed., *The Public Corporation*, Toronto, Carswell, 1954.

T. H. Kewley, "The Statutory Corporation," in R. N. Spann, ed., *Public Administration in Australia*, Sydney, New South Wales Government Printer, Second Edition, 1960.

R. S. Parker, "Public Enterprise in New South Wales," *Australian Journal of Politics and History*, Vol. 4 (November, 1958), pp. 208-223.

S. Encel, "Public Corporations in Australia: Some Recent Developments," *Public Administration*, Vol. 38 (Autumn, 1960), pp. 235-252.

To these one should add a reference to the Twenty-First and Twenty-Second Reports of the Joint (Senate and House of Representatives) Committee on Public Accounts, Canberra, Government Printing Office, 1955. These two reports analyse the problem of control and accountability of Australian public corporations in general, though the Committee's immediate concern was to investigate allegations of financial irregularities in the administration of the Australian Aluminium Production Commission. The Committee took evidence not only from the heads of seven major public enterprises but also from the Solicitor-General of the Commonwealth and from academics such as

the late Professor Leicester Webb. Their submissions and the Committee's cross-examinations are available along with the Reports. Professor Bland, who retired from the Chair of Public Administration at Sydney University to become a member of the House of Representatives in 1949, was Chairman of the Public Accounts Committee. The Committee's conclusions, hopefully supporting autonomy for public corporations against the prevailing trend, reflect Professor Bland's earlier views, though in a weakened form.

In S. R. Davis, ed., *The Government of the Australian States*, Melbourne, Longmans, 1960; and in J. D. B. Miller, *Australian Government and Politics*, 2nd Edition, London, Duckworth, 1959, the reader should notice the emphasis given to two distinctive Australian institutions, one being the industrial wage arbitration system and the other the Australian Loan Council which allocates all Commonwealth loan raisings among the Commonwealth and State Governments and their instrumentalities. The arbitration system and the Loan Council are a steel frame within which public enterprises, specially at the State level, have to carry out their operations. Any full account of the governmental control of public enterprises in Australia would have to give attention to these two factors, but they have been passed over in the present lecture.

